

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 7001

January 15, 2021

SUMMARY OF BILL: Requires the Department of Revenue (DOR) to assess a seven percent fee and an additional two and three-quarters percent fee on all money transmitted from this state to a location outside of the United States. Exempts transactions for which the person transmitting the money produces, at the time of transaction, the person's valid Tennessee driver license, social security number, or taxpayer identification number.

Establishes a refund period during which persons with a social security number or tax-identification number may receive the refund. Allows the funds to be invested by the Treasurer during the time that the funds are encumbered. Requires DOR to issue refunds on a quarterly basis.

Creates a special account for which all remaining funds must be allocated and distributed each year on July 1, and utilized for salary increases for teachers and other educational staff. Takes effect July 1, 2022 and is repealed on July 1, 2026.

ESTIMATED FISCAL IMPACT:

**Increase State Revenue – \$271,498,500/FY22-23
\$274,213,500/Each Year FY23-24 through FY25-26**

Assumptions:

- For purposes of collecting revenues, the proposed legislation would become effective July 1, 2022.
- Based on Fiscal Review Committee staff estimates, approximately \$17,000,000,000 is transmitted annually in Tennessee.
- Based on Western Union data, it is estimated that 91 percent of transfers are sent outside of the US, or \$15,470,000,000 (\$17,000,000,000 x 91.0%).
- The proposed legislation assesses a total of a 9.75 percent (7.0% + 2.75%) fee on any international transaction for which the person initiating the transaction is unable to produce a valid Tennessee driver license, social security number, or taxpayer identification number at the time of transaction.
- For the purposes of this analysis, it is assumed that 20 percent of the total transfers, or \$3,094,000,000 (\$15,470,000,000 x 20.0%), will be subject to the proposed fees, wherein the person initiating the transfer was unable to produce the necessary documentation at the time of transaction.

- The total initial amount collected is therefore estimated to be \$301,665,000 (3,094,000,000 x 9.75%).
- The proposed legislation requires a person to have a social security number or a taxpayer identification number in order to be eligible for a refund.
- For the purposes of this analysis, it is assumed the funds will possess a retention rate of 90 percent after refunds.
- Therefore, the total amount collected and deposited in the general fund in FY22-23 is estimated to be \$271,498,500 (\$301,665,000 x 90%). That amount will be available to the Treasurer for investment.
- It is estimated that Treasury would generate annual returns of one percent from the funds invested, or \$2,714,985 (\$271,498,500 x 1.0%).
- Therefore, the total estimated amount generated for each year FY23-24 through FY25-26 is \$274,213,485 (\$271,498,500 + \$2,714,985).
- These funds will be available for allocation and distribution to a special account to be utilized for salary increases for teachers and other educational staff on July 1 of each year, terminating July 1, 2026.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Bojan Savic, Interim Executive Director

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